

# Long Son petrochemicals plant, Vietnam

---

**Mia Tahara-Stubbs**

15/02/2019

Thailand's Siam Cement has been on a patient, 10-year long mission to build a petrochemicals plant in Vietnam.

The Vietnamese government originally approved construction of the Long Son plant in 2008 to local partner PetroVietnam and Siam Cement, as well as Qatar Petroleum.

The Long Son complex will be located in Ba Ria-Vung Tau province, 90km south east of Ho Chi Minh City. The petrochemicals plant is expected to produce 1.65 million tonnes of olefins, 1.45 million tonnes of poly-olefins, and 280,000 tonnes of chloralkali per year. The site will also include other supporting facilities, such as:

- a port
- a power plant
- warehouses

In the first phase, the sponsors were expected to issue the request for proposals (RFP) to commercial banks in Q1 2015, but then delayed the issuance to [finalise the structure](#) of the RFP until Q2 of that year.

In the meantime, Qatar Petroleum announced it would [drop out in November 2015](#) but the equity relationship was only severed one year and a half later.

## Equity

In March 2017, Vina SCG Chemicals, a Siam Cement subsidiary, entered into the [share purchase agreement](#) with QPI Vietnam (QPIV), a part of Qatar Petroleum, to buy all of QPIV's 25% equity stake in Long Son Petrochemicals (LSP), the project company, for the Vietnamese petrochemical complex.

This equity transaction, valued at \$36.1 million, increased Siam Cement's direct and indirect stake in LSP to 71% from 46%, while Vietnamese parties hold 29%.

At the time, a final investment decision was expected in H1 2017, due to be financed with equity and debt.

From there, the sponsors proceeded to go the market in mid-June (2017) for commercial bank funding.

In August 2017, the consortium awarded the EPC contract to Hyundai Engineering.

By May 2018, Siam Cement bought out PetroVietnam's 29% equity stake for around \$90 million, to become sole owner of the project company LSP.

## Debt

The \$3.2 billion debt package, denominated in US dollars at a tenor of 14-years, was eventually signed in August 2018

with six banks:

- Bangkok Bank
- Export-Import Bank of Thailand
- Krungthai Bank
- Mizuho Bank
- Siam Commercial Bank
- SMBC

In a somewhat unusual arrangement, the debt package is not a syndicated loan but bilateral loans with each bank.

The debt covers 60% of the \$5.4 billion cost of the plant and each loan is guaranteed by the parent company Siam Cement.

Siam Cement has stated publicly that it intends to start construction on Long Son as soon as the financing was in place.

However as of mid-February (2019), *IJGlobal* understands that Siam Cement, which has historically financed capital expenditures such as new plants on balance sheet, has yet to draw down on the loans or start construction on the petrochemicals plant.

Thailand's largest cement company is unlikely to have any problems refinancing its first international project finance debt package and may even return to the market to increase the portion of ECA funding later this year, *IJGlobal* understands.

If built, construction period for Long Son is seen at five years.

### Advisers

Advisers include:

- SMBC – sponsor's financial
- Allen & Overy – sponsor's legal
- Clifford Chance – lenders' legal

*Thank you for printing this article from IJGlobal.*

*As the leading online publication serving the infrastructure investment market, IJGlobal is read daily by decision-makers within investment banks, international law firms, advisory firms, institutional investors and governments.*

*If you have been given this article by a subscriber, you can contact us through [www.ijglobal.com/sign-in](http://www.ijglobal.com/sign-in), or call our London office on +44 (0)20 7779 8870 to discuss our subscription options.*